



**1966**  
**FINANCIAL REPORT**

Austin, Minnesota  
January 6, 1967

To the Stockholders of  
Geo. A. Hormel & Company

The net earnings of the Company for the fiscal year which ended October 29, 1966, were \$3,511,126 as compared to \$4,350,566 in 1965 — a decrease of \$839,440. These earnings amounted to \$2.95 on each share of common stock outstanding at the end of the year.

Dollar sales for the year, after returns and allowances, totaled \$491,732,861, a new high for the Company, and an increase of \$50,132,547 over a year ago — 11.3%. This increase in dollar volume was primarily the result of higher prices on virtually all products.

Sales tonnage was 1,161,321,283 pounds, a decrease of 38,586,104 pounds under last year — 3.2%.

Net profit was approximately 7/10 cents per dollar of sales and 30 cents per hundredweight of product sold.

The working capital of the Company was \$33,489,462, an increase over a year ago of \$6,821,754. The sum of cash, government securities, and accounts receivable exceeded current liabilities by \$9,015,979 and all liabilities by \$4,013,979.

During the year \$3,359,800 was invested in capital improvements and additions. The net addition to capital assets was \$2,380,001, after retirements and adjustments. These capital improvements continue a Company program of modernizing its facilities and equipment.

The Dry Sausage Manufacturing facilities in the Austin, Minnesota, plant were remodeled and updated, thereby providing a more efficient operation. The leased facilities at the Houston, Texas, processing plant were remodeled, additional space obtained, and new equipment and refrigeration installed. These substantial improvements at Houston will increase materially our opportunity to obtain a larger share of the market in that area. Improvements were completed at the Springfield, Missouri, beef plant, consisting of additional refrigerated storage and livestock facilities. The Company is also remodeling the facilities at its Birmingham, Alabama, processing plant.

The Company has all but completed the construction of a new distribution plant at San Antonio, Texas. It should be ready for use about January 15, 1967. Plans for new distribution centers at Atlanta, Georgia, and New Orleans, Louisiana, are being studied.

Depreciation for the year was \$3,197,904, an increase over last year of \$295,450.

The stockholders' investment in the Company at the end of the year was \$57,188,437. Dividend distributions were \$1,668,098, consisting of four quarterly dividends of 35 cents a share on common stock — a total of \$1.40 a share. The Company has paid dividends for 38 consecutive years.

Payment and provision for all taxes for the year amounted to \$4,774,112.

The sum of \$3,695,000 was provided for current and past services of the Employee Pension Trusts. This sum, together with distributions in prior years to the Profit-Sharing Trust and the Employee Pension Trusts, makes a total of \$36,146,877 allocated to the employee retirement program. At the end of the fiscal year, the Company had an obligation for unfunded past services

under the pension plan estimated at \$25,860,000 to be provided for over the next 21 years.

\$415,119 was made available to eligible employees for the year under the terms of the Company's Joint Earnings Plan. Since the beginning of the Plan, 28 years ago, the sum of \$27,647,733 has been provided for employees.

Following the pattern established in 1964 national packinghouse union agreements, a general wage increase of 6 cents per hour became effective on September 6, 1966. In addition, cost-of-living increases of 3 cents per hour and 5 cents per hour became effective on January 3, 1966, and on July 4, 1966, respectively. Agreements with the union at Austin, Minnesota, regarding proper gang sizes and adjustments in the method of paying incentive rates, will tend to put the Austin, Minnesota, plant on a more nearly competitive basis when the agreements are fully implemented in the next several years. Similar agreements have been made with the union at the Fort Dodge, Iowa, plant.

On March 15, 1966, the Company completed a loan agreement of \$6,000,000 with three of its principal banking connections. This loan bears interest at a rate of 5¼% per annum, is for a term of 6 years, and is payable in annual installments. Other than this term loan, the Company had no money borrowed from banks at the end of the fiscal year.

The Company continues a basic national advertising program, with additional emphasis on selected products in particular areas.

On August 12, 1966, the I-D Packing Company of Des Moines, Iowa, started to custom-slaughter and cut hogs for the Company. Due to unusual problems that arose in connection with commencing a new operation, the numbers of hogs produced have not been as large as the Company anticipated. Shortly after the close of the fiscal year, in fact, on November 8, 1966, the Company entered into another custom-slaughtering arrangement, this time on beef, with the Rod Barnes Packing Company of Huron, South Dakota. The facilities are new. A weekly production of approximately 1200 head to 1500 head is expected.

Gross margins on pork during the year were satisfactory. However, this advantage was offset by a reduction in numbers available for slaughter.

With reduced calf and cow slaughter in 1966, it appears that cattlemen are expanding their breeding herds. During the first half of 1967, fat cattle marketing is expected to continue at a small increase over a year ago. However, second half marketing during the coming year is expected to be slightly under 1966.

Hog slaughter in 1967 should continue at about 1966 levels. Prices may continue somewhat lower than a year ago.

It is with deep sorrow that we record the death on August 1, 1966, of Mr. H. H. Corey, who had resigned as Chairman of the Board in 1965, but who continued on the Board of Directors of the Company and as a member of The Hormel Foundation until his death. His untiring efforts and exceptional leadership over a period of 45 years were in great measure responsible for the development and growth of the Company during those years.

Again, we extend our sincere appreciation for the support, loyalty and cooperation of our employees, our customers, our livestock producers and our stockholders.

R. F. GRAY  
Chairman of the Board

M. B. THOMPSON  
President

## FIVE YEAR REVIEW

(In thousands of dollars)

	1966	1965	1964	1963	1962
Sales	\$491,733	\$441,600	\$411,827	\$393,740	\$384,742
Net Earnings	3,511	4,351	5,725	2,965	3,062
Wage Costs	78,399	78,618	79,743	74,509	73,581
Total Taxes	4,774	4,950	6,477	4,922	4,211
Depreciation	3,198	2,902	2,527	2,508	2,353
Properties (net)	28,293	28,248	26,988	22,376	20,663
Working Capital	33,489	26,668	25,768	26,329	29,152
Stockholders' Investment	57,188	55,306	52,868	48,818	47,527

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Sales tonnage (million pounds)	1,161	1,200	1,272	1,171	1,093
Net earnings to:					
Sales	.71%	.99%	1.39%	.75%	.80%
Sales tonnage (cwt.)	30¢	36¢	45¢	25¢	28¢
Per share earnings on common stock (adjusted)	\$2.95	\$3.66	\$4.81	\$2.49	\$2.57

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## FINANCIAL REPORT / F

## STATEMENT OF FINANCIAL POSITION

**CURRENT ASSETS**

Cash	\$ 8,496,644	
United States Government securities—at cost which approximates market	3,242,541	
Accounts receivable, less allowance of \$100,000	21,182,047	
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	24,124,621	
Prepaid insurance and other expenses	348,862	
<b>Total Current Assets</b>		<b>\$57,394,715</b>

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$20,390,425	
Dividend payable November 15	416,543	
Federal taxes on income	2,100,285	
Payments due within one year on long-term debt	998,000	
<b>Total Current Liabilities</b>		<b>23,905,253</b>

<b>WORKING CAPITAL</b>		<b>\$33,489,462</b>
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**INVESTMENTS**

In subsidiary—at underlying equity	\$ 295,805	
Other—at cost	112,500	408,305

**PROPERTY, PLANT AND EQUIPMENT**

on the basis of cost		
Buildings (\$25,941,616) and equipment	\$60,326,694	
Less allowances for depreciation	32,832,704	
	\$27,493,990	
Land	798,680	28,292,670
		<b>\$62,190,437</b>

**LONG-TERM DEBT**

Notes payable to banks, 5¼%, due \$998,000 annually to March 15, 1972, less amounts due within one year		5,002,000
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<b>STOCKHOLDERS' INVESTMENT</b>		<b>\$57,188,437</b>
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Ending October 29, 1966

## STATEMENT OF STOCKHOLDERS' INVESTMENT

### CAPITAL STOCK

(At October 29, 1966)

Preferred Stock, par value \$100 a share:

Authorized 50,000 shares

Issued and outstanding—none

Common Stock, par value \$7.50 a share:

Authorized 1,600,000 shares

Issued and outstanding

1,190,124 shares, after reduction during the year of 5,497 shares (\$41,227) arising from adjustment of shares issued in December, 1960, in merger of Hormel, Inc.

\$ 8,925,930

Additional paid-in capital, after addition during the year of \$41,227 — contra above

1,986,315

\$10,912,245

### EARNINGS REINVESTED IN BUSINESS

Balance October 31, 1965

\$44,393,585

Net earnings for the year

3,511,126

\$47,904,711

Prior years' dividends recovered on shares issued in merger — see above

39,579

\$47,944,290

Deduct cash dividends on Common Stock—

\$1.40 a share

1,668,098

Balance October 29, 1966 (under provisions of long-term debt agreement \$39,433,164 not available for cash distributions on Common Stock)

46,276,192

### TOTAL STOCKHOLDERS' INVESTMENT

\$57,188,437

# STATEMENT OF EARNINGS

FISCAL YEAR ENDED OCTOBER 29, 1966

<b>SALES</b> (less returns and allowances) .....	\$491,732,861
Other income .....	119,733
	<u>\$491,852,594</u>

## COSTS, EXPENSES AND TAXES

(\$440,245,111 applicable to costs of products sold)

Cost of products sold, selling, delivery, administrative and general expenses, exclusive of items shown separately .....	\$401,383,941
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### Wage costs:

Wages and salaries including joint earnings ..... \$68,647,690

Pension trust contributions (unfunded past service costs estimated at \$25,860,000 over the next 21 years) ..... 3,695,000

Federal and state unemployment and old age contributions ..... 2,340,651

Group life, hospitalization and sick leave ..... 3,715,821      78,399,162

Provision for depreciation ..... 3,197,904

Interest ..... 586,349

### Taxes:

State income, property and other taxes ..... \$ 2,006,112

Federal taxes on income ..... 2,768,000      4,774,112      488,341,468

**NET EARNINGS** ..... \$ 3,511,126

# ACCOUNTANTS REPORT

To the Stockholders and Board of Directors

Geo. A. Hormel & Company

Austin, Minnesota

We have examined the statement of financial position of Geo. A. Hormel & Company as of October 29, 1966 and the related statements of earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, earnings and stockholders' investment present fairly the financial position of Geo. A. Hormel & Company at October 29, 1966 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, appearing to read "Ernst & Ernst", with a long, sweeping flourish extending to the right.

Minneapolis, Minnesota

November 22, 1966



## OFFICERS

R. F. Gray	Chairman of the Board
M. B. Thompson	President
R. D. Arney	Executive Vice President — Marketing
Heilman Allen	Vice President
R. J. Asp	Vice President
Harold Butler	Vice President
Bruce Corey	Vice President
E. H. Flitton	Vice President
E. J. Garrity	Vice President
L. D. Housewright, Jr.	Vice President
Clayton Kingston	Vice President
Geo. W. Ryan	Vice President and Treasurer
Fayette Sherman	Vice President
I. J. Holton	Secretary
R. F. Potach	Controller
E. C. Alsaker	Assistant Treasurer
R. H. Biedermann	Assistant Controller

## DIRECTORS

R. D. Arney	I. J. Holton	Geo. W. Ryan
Harold Butler	James C. Hormel	Fayette Sherman
Bruce Corey	O. L. Marquesen	M. B. Thompson
R. F. Gray	Gordon Murray	

